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LETTER DATED 31 DECEMBER 1998 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith the annual report on the work of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait. The present report, which was adopted by the Committee on 31 December 1998, is being submitted pursuant to the note by the President of the Security Council of 29 March 1995 (S/1995/234).

(Signed) António MONTEIRO
Chairman
Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

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Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

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I. INTRODUCTION

1. Pursuant to the note by the President of the Security Council of 29 March 1995 (S/1995/234), the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait has submitted two annual reports to the Security Council (S/1996/700 and S/1997/672) covering its major activities in the first seven years since the imposition of sanctions against Iraq in August 1990. The present report contains a factual summary of the Committee's major activities from August 1997 to July 1998, with references to other important events and decisions.

2. During the period covered by the present report, implementation of the arrangements set up by the Council in resolution 986 (1995) continued under resolutions 1111 (1997) (phase II) and 1143 (1997) (phase III). They were further expanded by resolution 1153 (1998) (phase IV), under which the Council allowed Iraq to export an increased amount of oil not exceeding $5.256 billion in a 180-day period. The new arrangement (phase IV) entered into force on 30 May 1998.

3. Pursuant to paragraph 4 of resolution 1111 (1997), the Committee submitted to the Council during the reporting period two reports on the implementation of the arrangements set out in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) during phase II, the first report on 8 September 1997 (S/1997/692) and the second on 2 December 1997 (S/1997/942 and Corr.1). Pursuant to paragraph 5 of resolution 1143 (1997), the Committee submitted another two reports to the Council on the implementation of resolution 986 (1995) during phase III, the first on 2 March 1998 (S/1998/187) and the second on 4 June 1998 (S/1998/469).

4. Pursuant to paragraph 9 of resolution 1143 (1997), the Committee submitted to the Council on 30 January 1998 a report on the refining and clarifying of its working procedures under resolution 986 (1995) (S/1998/92). Pursuant to paragraph 15 of resolution 1153 (1998), by which the Council requested the Committee to implement the measures and take action on the steps referred to in its report of 30 January 1998 (S/1998/92), the Committee submitted a report to the Council on 17 April 1998 (S/1998/336).

5. Pursuant to paragraph 6 (f) of the guidelines to facilitate full international implementation of paragraphs 24, 25 and 27 of Security Council resolution 687 (1991), the Committee submitted four reports to the Council during the reporting period on matters related to the arms embargo (S/1997/637, S/1997/949, S/1998/108 and S/1998/387).

6. During the reporting period, the reviews of sanctions were further suspended by the Council under resolutions 1134 (1997) and 1137 (1997) until 27 April 1998, when the Council, pursuant to paragraph 7 of resolution 1137 (1997), resumed the reviews as provided for in resolution 687 (1991). Two reviews were conducted by the Security Council, in April and June 1998 respectively, bringing the total number of reviews completed pursuant to paragraph 21 of resolution 661 (1990) to 39, and the total number of reviews completed pursuant to paragraph 28 of resolution 687 (1991) and paragraph 6 of

resolution 700 (1991) to 19. No modification of the sanctions regime resulted from these reviews.

7. The Committee elects its bureau at the beginning of each calendar year. The bureau consists of a Chairman elected in his or her personal capacity and two Vice-Chairmen designated in a delegation capacity. For 1997, the bureau consisted of Mr. António Monteiro (Portugal) as Chairman, with the delegations of Guinea-Bissau and Poland as Vice-Chairmen. For the period of 1998 covered by the present report, Mr. António Monteiro (Portugal) continues to serve as Chairman, with the delegations of Brazil and Gabon as Vice-Chairmen of the Committee.

II. WORK OF THE COMMITTEE

8. During the period covered by the present report, the Committee dealt with a wide range of complex issues arising from the implementation of the mandatory measures. From August 1997 to July 1998, the Committee met in formal sessions 14 times, bringing the total number of meetings held since its inception in 1990 to 173 (see appendix). In accordance with decisions taken at the Committee's 132nd and 134th meetings, the Chairman continued to give oral briefings about the work of the Committee after each meeting to interested delegations and the press.

9. The Committee also held a number of informal meetings at the expert level to discuss various issues concerning its activities, in particular issues related to the implementation of resolution 986 (1995).

A. Implementation of Security Council resolution 986 (1995)

10. The operation under resolution 986 (1995), known as the oil-for-food programme, remained one of the high-priority issues dealt with by the Committee during the period covered by the present report. As mentioned above, the operation continued throughout the reporting period, extended successively by resolutions 1111 (1997), 1143 (1997) and 1153 (1998). Iraq stopped exporting oil on two occasions - from 8 June to 15 August 1997 in phase II and from 5 December 1997 to 15 January 1998 in phase III. With regard to the export of humanitarian supplies to Iraq under the operation, the Committee remains committed to implementing its mandate. In coordination with the Secretary-General and the Office of the Iraq Programme established in October 1997, the Committee continued to make efforts for the purpose of expediting the approving process and enhancing the delivery of humanitarian supplies to Iraq. Iraq's capacity to export sufficient petroleum and petroleum products up to the amount of $5.256 billion, as referred to in paragraph 2 of resolution 1153 (1998), was addressed by the Security Council in resolution 1175 (1998).

11. The Committee had by the end of the reporting period submitted eight reports to the Security Council on the oil-for-food programme, six on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) (S/1997/213, S/1997/417, S/1997/692, S/1997/942, S/1998/187 and S/1998/469), and two on the refining and clarifying of the

Committee's working procedures to expedite the approval process for sending humanitarian supplies to Iraq (S/1998/92 and S/1998/336).

Oil export from Iraq

12. During the period covered by the present report, the export of petroleum from Iraq proceeded smoothly with excellent cooperation among the overseers, the United Nations independent inspection agents (Saybolt), the Iraqi State Marketing Organization and the national oil purchasers.

13. Pursuant to paragraph 2 of the procedures of the Committee (S/1996/636 and Corr.1 and 2), 272 national oil purchasers, nominated from 45 countries, were authorized to communicate directly with the overseers by the end of July 1998.

14. In the period covered by the present report, a total of 135 oil contracts were received and reviewed by the overseers: 133 of them were approved, one was cancelled and another was withdrawn. In all, 353 liftings with a volume of 399 million barrels were made, and the revenue realized amounted to US$ 5.056 billion.

15. Pursuant to paragraph 12 of resolution 1153 (1998), the Secretary-General dispatched to Iraq a group of experts, accompanied by the overseers, to determine, in consultation with the Government of Iraq, the capacity of Iraq to export petroleum and petroleum products sufficient to produce the total sum of $5.256 billion as referred to in paragraph 2 of that resolution. Pursuant to paragraphs 12 and 13 of the same resolution, the Secretary-General submitted to the Security Council on 15 April 1998 a report on the findings of the group of experts (S/1998/330 and Corr.1). On 19 June 1998, the Security Council adopted resolution 1175 (1998), by which the Security Council decided that up to a total of $300 million in the escrow account might be used to meet any reasonable expenses for the purchase by Iraq of the necessary parts and equipment to enable it to increase the export of petroleum and petroleum products as provided under resolution 1153 (1998).

16. During the reporting period, the overseers continued to advise the Committee on oil prices, volumes, liftings, destinations, management of the revenue objective, and other pertinent questions related to the export and monitoring of petroleum from Iraq in accordance with the provisions of resolutions 986 (1995), 1111 (1997), 1129 (1997), 1143 (1997), 1153 (1998) and 1158 (1998).

17. Pursuant to paragraph 14 of the procedures of the Committee, the overseers continued to report to the Committee on a weekly basis on oil contracts they had considered, including the cumulative quantity and approximate value of petroleum authorized for export. By the end of the reporting period, 85 such reports had been submitted to the Committee.

Efforts to expedite the approval process and refine working procedures

18. During the reporting period, the Committee continued to attach priority to the work of processing contracts submitted under the oil-for-food programme, with emphasis on refining and streamlining the approval procedures for sending

humanitarian supplies to Iraq. Progress was achieved in this respect by the Committee, in cooperation with the Office of the Iraq Programme, which was established by the Secretary-General in October 1997 to consolidate and manage the activities of the Secretariat pursuant to resolutions 661 (1990) and 986 (1995) and subsequent resolutions.

19. On 20 August 1997, the Committee approved the revision of the form of notification or request to ship goods to Iraq and the guidance note on its completion. On 1 September 1997, the Committee extended the validity period of its approval letters from the initial 120 days to 180 days, with a possible extension of another 90 days upon request. On 30 January 1998, the Committee further extended the extension period from 90 days to 180 days, when necessary.

20. Pursuant to paragraph 9 of resolution 1143 (1997), the Committee submitted a report on 30 January 1998 on the refining and clarifying of its working procedures (S/1998/92). The measures adopted by the Committee in the report contributed to the expeditious processing of applications by the Office of the Iraq Programme.

21. By paragraph 15 of resolution 1153 (1998), the Council requested the Committee to implement the measures and take action on the steps referred to in its report on working procedures (S/1998/92), to consider the relevant observations and recommendations referred to in the report of the Secretary-General of 1 February 1998 (S/1998/90), to report to the Council by 31 March 1998 and thereafter to continue to review its procedures whenever necessary.

22. The Committee submitted the report as required on 17 April 1998 (S/1998/336). The report noted that some of the measures had been implemented in full. The measures included the enhanced weekly reports on the status of applications, the holding of an orientation seminar on 19 March 1998, with the participation of more than 30 Member States and interested international organizations, the distribution of a comprehensive information kit of relevant documentation, the issuance of approval letters against anticipated revenues and the circulation of applications by the Secretariat to Committee members in advance of anticipated revenues of the Iraq Account.

23. In addition, the Committee decided to place in its approval letters a reminder to exporters on the timely execution of approved contracts. The Committee also issued a press release on 2 April 1998 addressed to all States engaged in the export of humanitarian goods to Iraq to encourage them to present applications to the Committee as soon as contracts were concluded. The attention of the exporters was drawn to the reminder in the approval letters with a view to ensuring the timely delivery of humanitarian supplies to Iraq by the required delivery date as indicated in the contracts.

24. In its report of 17 April 1998 (S/1998/336), the Committee also noted a number of areas where further efforts were needed on the part of the Committee, such as the prioritization of contracts and the timely explanation of the reasons for placing applications on hold. The Committee recalled that such explanations, notably those related to dual use or to other grounds pertaining to non-conformity with the distribution plan, should be reviewed by the

Committee periodically in order to ascertain whether any action could be taken to prevent similar situations. No meeting occurred during the period covered by the present report.

25. Pursuant to paragraph 4 (d) (i) of the Committee's report of 30 January 1998 (S/1998/92), in its follow-up report of 17 April 1998 the Committee adopted guidelines and points of understanding on simplified procedures for the approval of applications for foodstuffs (S/1998/336, appendix), by which the Committee conferred on the Secretariat the authority to determine whether such applications were in order under those guidelines and points of understanding and to submit them for approval to the Chairman of the Committee, in accordance with the conditions set out in the guidelines and points of understanding. Those guidelines and points of understanding came into effect on 29 May 1998, when the Secretary-General presented the required report to the Security Council pursuant to paragraph 5 of resolution 1153 (1998). It was decided that the Committee would continue its work in respect of medicines.

26. On 14 March 1998, the Committee received a report from the Treasurer of the United Nations concerning the streamlining of all aspects of the procedures regarding the opening of letters of credit by the Banque Nationale de Paris. On the processing side, the report noted that the refined procedures of the Committee would accelerate the issuance of letters of credit. The report welcomed the idea of a representative of the Central Bank of Iraq being posted in New York with a view to expediting the resolution of discrepancies. On the credit issue, the report noted that the issuance of letters of credit could be accelerated, in theory, if they could be issued before the necessary cash collateral was available in the United Nations Iraq Account. According to the report, however, no banking institution was willing to engage itself with such an extension of credit due to prevailing commercial and legal constraints.

27. On the issue of reimbursement of the 53 per cent account from the 13 per cent account for joint purchases referred to in paragraph 4 (d) (iv) of the Committee's 30 January 1998 report, the Committee requested the Secretariat to present a non-paper on the issue by 15 March 1998. At its 172nd meeting, on 18 June 1998, the Committee considered a communication on the matter from Iraq and also received a non-paper enclosing recommendations to expedite the reimbursement mechanism from the Office of the Iraq Programme. The Committee subsequently met at the expert level to discuss the matter further. At the behest of the Committee, the Secretariat implemented changes to improve the mechanism. By the end of July 1998, reimbursement due from the 13 per cent account to the 53 per cent account for bulk purchases stood at US$ 161.4 million from phase I through phase III. The Committee will continue to review this matter, in close cooperation with the Secretariat, in order to find an appropriate solution to this issue.

Phase II

28. At the beginning of the period covered by the present report, the operation was in its second 180-day period under resolution 1111 (1997), commonly known as phase II, with phase I running parallel. As required by paragraph 8 (a) (ii) of resolution 986 (1995), the Government of Iraq on 4 August 1997 submitted its distribution plan (DP II) for the purchase and distribution of humanitarian

supplies for phase II, which was approved by the Secretary-General on the same day (S/1997/606). The categorized list of supplies and goods that accompanied DP II was made available to the Committee in September 1997, and was subsequently computerized and made available to the general public.

29. After the approval by the Secretary-General on 31 July 1997 of the designation of Al-Walid on the Iraqi/Syrian border as the fourth entry point for the supply of humanitarian goods to Iraq under resolution 986 (1995), 10 United Nations independent inspection agents from Lloyd's Register were deployed there on 26 August 1997 to authenticate the arrival of humanitarian supplies to Iraq in accordance with paragraph 36 of the procedures of the Committee for the implementation of resolution 986 (1995). After Al-Walid became operational on 29 September 1997, the first consignments arrived there on 3 November 1997 and were authenticated the following day.

Phase III

30. On 4 December 1997, the Security Council adopted resolution 1143 (1997), by which it decided to extend the relevant provisions of resolution 986 (1995) for another 180 days, beginning at 00.01 hours, Eastern Standard Time, on 5 December 1997 (phase III). As there had been a gap between the start of phase II and the actual delivery of humanitarian supplies approved under that phase, the Security Council also decided by resolution 1143 (1997) that, pending the Secretary-General's approval of a new distribution plan (DP III) to be submitted by Iraq by 5 January 1998, the provisions of DP II would continue to apply to foodstuffs, medicines and health supplies purchased in phase III.

31. As required under paragraph 8 (a) (ii) of resolution 986 (1995), the Government of Iraq on 5 January 1998 submitted a new distribution plan (DP III) for the purchase and distribution of humanitarian supplies in phase III, which was approved by the Secretary-General on 6 January 1998 (S/1998/4).

32. Phase III started to run in parallel with phases I and II on 2 February 1998, when the first application under phase III was circulated to the members of the Committee for their consideration. While humanitarian supplies to Iraq approved under phases I and II continued to reach Iraq during phase III, the oil revenues available for the purchase of humanitarian supplies under phases I and II were exhausted by 9 March 1998. Therefore, the Government of Iraq requested that all medical applications still pending under phases I or II be transferred to phase III, while contracts involving non-health-sector supplies could be renegotiated and resubmitted under phase III or subsequent phases.

Operation under phase IV as further extended/expanded by resolution 1153 (1998)

33. On 20 February 1998, the Security Council adopted resolution 1153 (1998), by which it decided to extend the relevant provisions of resolution 986 (1995) for another 180 days beginning at 00.01 hours, Eastern Standard Time, on the day after the President of the Council had informed the members of the Council that he had received the report of the Secretary-General requested in paragraph 5 of that resolution. The Council also decided that the authorization given to States by paragraph 1 of resolution 986 (1995) would permit the import of

petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly relating thereto, sufficient to produce a sum, in the 180-day period, not exceeding a total of $5.256 billion. The operation under resolution 1153 (1998) (phase IV) entered into force on 30 May 1998.

Statistics for the oil-for-food programme (1 August 1997-31 July 1998)

34. During the period covered by this report, the Secretariat under resolutions 986 (1995), 1111 (1997), 1143 (1997) and 1153 (1998) received 1,702 applications, 110 of which were subsequently cancelled, 1,460 were circulated to Committee members for action and 132 remained to be processed by the Secretariat. Of the 1,460 circulated for action, 1,375 were approved, totalling approximately $2.87 billion, 27 were placed on hold, seven were blocked and 51 were awaiting decisions of the Committee since the time limit within which the Committee had to decide had not elapsed. For the same period, the Committee also approved applications worth approximately $200 million for purchases for the northern part of Iraq.

35. The arrival of humanitarian goods is verified and confirmed by the United Nations independent inspection agents, Lloyd's Register, at the four entry points in Iraq: the port Umm Qasr, Trebil on the Iraqi-Jordanian border, Al-Walid on the Iraqi-Syrian border and Zakho on the Iraqi-Turkish border. In the period covered by the present report, a total of 1,004 approved consignments of humanitarian supplies were confirmed as having arrived in Iraq in full and 291 consignments were confirmed as having arrived in partial shipments.

Matters related to the supply of oil equipment and spare parts to Iraq

36. As referred to in the Committee's earlier reports, pursuant to paragraph 9 of resolution 986 (1995), Turkey presented to the Committee two requests, dated 23 July and 5 November 1996 respectively, to supply parts and equipment for the repair and maintenance of the Kirkuk-Yumurtalik pipeline system in Iraq, the first one for the immediate repair of the pipeline and the second for the medium- and long-term safety of the pipeline. The two requests were approved by the Committee, on 15 July and 18 November 1997 respectively, with the proviso that monitoring arrangements be administered by the Office of the Iraq Programme.

37. On 6 March 1998, the Executive Director of the Iraq Programme briefed the Committee on the practical monitoring arrangements on the shipment to Iraq of spare parts and equipment from Turkey. On 18 May 1998, the Committee was further informed by the Executive Director that the monitoring arrangements were in place and operational. The Committee was thus able to approve several other applications to supply spare parts and equipment for the repair and maintenance of the pipeline, the total value of which was US$ 13.3 million.

38. On 19 June 1998, the Security Council adopted resolution 1175 (1998), by which it authorized States to permit, notwithstanding the provisions of paragraph 3 (c) of resolution 661 (1990), the export to Iraq of the necessary parts and equipment to enable Iraq to increase the export of petroleum and petroleum products, in quantities sufficient to produce the sum of

$5.256 billion as provided for under resolution 1153 (1998). By paragraph 2 of resolution 1175 (1998), the Council requested the Committee, or a panel of experts appointed by the Committee, to approve contracts for the parts and equipment according to the lists of parts and equipment approved by the Committee for each individual project. By paragraph 3 of the same resolution, the Council decided that up to a total of $300 million in the escrow account produced pursuant to resolution 1153 (1998) might be used to meet any reasonable expenses in that respect.

39. On 28 July 1998, the Committee received a communication from the Office of the Iraq Programme outlining the procedures for the monitoring of the spare parts referred to by resolution 1175 (1998). The monitoring system, which would be kept under constant review in order to ensure its efficiency and effectiveness, would enable the United Nations to keep track of spare parts from their entry into and customs clearance in Iraq, their storage and their use for authorized purposes.

40. By the end of the reporting period (31 July 1998), the Committee received from 10 States 34 applications for sending oil spare parts and equipment to Iraq. Secretariat experts reviewed all the applications and recommended the circulation of nine to the members of the Committee for action, with the remainder still waiting further clarification or correction on certain technical elements, as required under Committee procedures. Of those circulated, three were approved by the Committee, one was placed on hold for further information and five are still pending.

Auditors' report

41. On 12 June 1998, the Committee received a report, transmitted by the Secretary-General pursuant to paragraph 14 of the memorandum of understanding, which was prepared by the Board of Auditors on the auditing of the United Nations escrow account covering the period of 10 December 1996 through 30 June 1997. At its 173rd meeting, on 23 July 1998, the Committee expressed its gratitude to the Secretary-General for forwarding the report to it and looked forward to receiving subsequent reports in due course.

B. Humanitarian exemptions under resolution 661 (1990)

42. During the period covered by the present report, the Committee continued to receive and process, in addition to contracts under resolution 986 (1995), which were to be financed through the oil-for-food programme, other notifications and applications to send humanitarian goods to Iraq submitted under resolution 661 (1990) and resolution 687 (1991). In the period 1 August 1997 to 31 July 1998, the number of such notifications/applications received from States and international organizations was 9,958 in total. The Committee acknowledged receipt of all 96 foodstuff notifications and took note of 74 voluntary notifications for medical supplies to Iraq, which had an estimated combined value of $180 million. Under its no-objection procedure, the Committee processed all remaining 9,788 applications concerning the supply of other categories of goods to Iraq. Approximately 3,849 of these requests with an estimated value of $6.5 billion were approved, 2,849 with a value of

$4.8 billion were placed on hold for further information and/or clarification, and 3,090 applications with a value of $5.2 billion were blocked.

C. Humanitarian flights

43. During the reporting period, in particular in the first few months of 1998, there was a marked increase as compared with previous years in the number of such flight requests. The Committee received 27 flight requests submitted by 17 States to send by air to Iraq medicines, foodstuffs and other humanitarian donations. All requests were authorized by the Committee.

44. Inspections were conducted at the Committee's request by designated United Nations personnel on all humanitarian flights that arrived in Iraq upon the planes' arrival. Reports on the inspections carried out were forwarded to the Committee for the information or attention of the Committee members, as necessary. On two occasions, the Chairman of the Committee raised discrepancies in the flight manifests with the Member States concerned.

45. The Committee received and responded to a number of communications on proposed flights to take foreign officials to Iraq on diplomatic missions. The Committee granted approvals for three medical evacuation flights. It may be recalled, in this connection, that the Committee had earlier considered a request from the World Health Organization (WHO) for an overall arrangement for medical evacuation flights for Iraqi nationals. The Chairman was in touch with both the Director-General of WHO, who reaffirmed the need for such an overall arrangement, and with the Iraqi authorities, who while recognizing the urgent need to facilitate medical evacuations from Iraq, did not consider the proposed arrangement the most adequate solution to the problem. Consequently, the Committee informed WHO that the Committee would continue to address the question of medical evacuation flights on a case-by-case basis.

46. Regarding a request from Jordan to authorize weekly humanitarian flights between Amman and Baghdad, at its 173rd meeting, on 23 July 1998, the Committee reiterated its position on a similar request submitted by Jordan in 1996, namely, that it was unable to grant a blanket approval as requested.

D. The Hajj

47. At its 166th meeting, on 4 February 1998, the Committee considered a letter dated 19 January 1998 from Jordan requesting an approval by the Committee for Royal Jordanian flights to transport Iraqi pilgrims to Saudi Arabia, within the rules and regulations to be agreed upon. After further consultations at the expert level, the Committee was able to approve in principle the proposed flights subject to receipt of information on the number of flights, financing arrangements and other specific elements, and a response to that effect was made.

48. On 20 February 1998, the Security Council adopted resolution 1153 (1998), in paragraph 3 of which it directed the Committee to authorize, on the basis of

specific requests, reasonable expenses related to the Hajj pilgrimage, to be met from funds in the escrow account.

49. On 5 March 1998, Iraq presented a request to the Committee that a sum of $44 million be transferred from the escrow account to the Central Bank of Iraq for the purpose of meeting the expenses of Iraqi pilgrims during the 1998 pilgrimage season. At the Committee's 167th meeting, on 9 March 1998, the Chairman reported that he had met with the Permanent Representative of Iraq and informed the latter of the Committee's conditional approval of the Jordanian request. He also informed the members that he had contacted the Saudi Arabian Mission in order to ask for further information on the logistics of such an operation. The Committee decided that the Chairman should contact the parties concerned with a view to finding expeditiously a solution to the issue on the arrangements for financing the operation.

50. The Committee convened again on 11 March 1998 (168th meeting) to consider the issue further. The Chairman briefed the members on his contacts with Iraq, Jordan, Saudi Arabia and the United Nations Secretariat. While official responses from Jordan and Saudi Arabia to the Committee's queries were still pending, the Iraqi Foreign Minister had insisted at his meeting with the Chairman that the funds be deposited directly to the Central Bank of Iraq or its branch office at Amman. Since there was no consensus on the feasibility of a direct transfer of the funds, the Committee decided to seek the opinion of the Legal Counsel, and requested the United Nations Secretariat to explore alternative options for resolving the issue. Meanwhile, the Committee encouraged its Chairman to continue his efforts with the parties concerned with a view to reaching an early consensus.

51. A third meeting on the subject was convened on 13 March 1998 (169th meeting). The Chairman informed the members that based on his contacts with the parties concerned, he had presented on 12 March 1998 an aide-mémoire to the Minister for Foreign Affairs of Iraq. The aide-mémoire contained his proposal that the Government of Iraq organize and oversee the distribution of serialized vouchers to the Iraqi pilgrims to be used for the Hajj operation; that Jordan provide travel services through a contract between Jordan and Iraq to be submitted to the Committee under resolution 986 (1995); and that the United Nations Office of the Iraq Programme establish an accountability procedure for the vouchers.

52. At the same meeting, the Committee endorsed the Chairman's proposal and expressed its hope that the Government of Iraq could agree to it, given the limited time left for the operation. The proposal was also well received by the Secretary-General, who readily gave his endorsement. The Committee decided that the Chairman should send a letter to the Government of Iraq reiterating his proposal.

53. The Committee met again on 16 March 1998 (170th meeting) to hear the Chairman's briefing on his contacts with the parties concerned, including the Minister of Foreign Affairs of Iraq and the Deputy Permanent Representative of Saudi Arabia, who had told him that the Saudi Government had already made special arrangement to extend the time-frame for the arrival of Iraqi pilgrims. The Committee decided, as an official response to the earlier Iraqi request, to

send a letter through its Chairman to the Government of Iraq, stating that the Committee understood and respected the religious obligations of Iraqi Muslims and would do everything within its power to facilitate their observance of the Hajj; however, the Committee was unable to approve the transfer of funds into the Central Bank of Iraq or to an Iraqi entity in a third country; the Committee hoped that the Government of Iraq would be able to accept the proposals endorsed by the Committee at its 169th meeting, contained in the aide-mémoire annexed to the letter, as a basis for a solution which would allow expenses related to the Hajj pilgrimage to be funded in accordance with resolution 1153 (1998).

54. On 18 March 1998, the Permanent Representative of Iraq addressed a letter to the Chairman of the Committee, reiterating Iraq's position on the matter. The letter stated that since the travelling time for the Hajj was approaching an end which might be insufficient for any possible arrangement to be reached, the Iraqi side felt there was no longer any practical usefulness in continuing the discussion of the matter. Consequently, the Committee ceased discussion of this issue and no Hajj flight took place during the period.

E. Financial matters

55. At its 160th meeting, on 27 August 1997, the Committee considered a request from Thailand dated 13 June 1997 concerning the payment of a rice shipment from a Thai company from Iraqi frozen assets held by the Bank of International Settlement. The Committee decided to inform Thailand that in view of the clear prohibition by paragraph 11 of resolution 778 (1992) against direct release of Iraqi frozen funds after the adoption of that resolution, Iraqi frozen assets could not be unfrozen for the purpose of direct financing of the Thai shipment in question.

56. At its 164th meeting, on 9 December 1997, the Committee considered a letter from Switzerland dated 17 October 1997, seeking the opinion of the Committee on the alleged statement of the representatives of the Iraqi Central Bank that transfers of Iraqi funds held by the Bank for International Settlement should be unfrozen to settle Iraqi debts to foreign commercial companies. According to the same Swiss source, such transfers were said to have been carried out in several countries. The Committee decided to seek clarification from Switzerland as to what kind of transfers had taken place in that context. It was further decided that the Committee should take up the issues relating to financial aspects of the sanctions regime at a later stage at the expert level.

57. At its 171st meeting, on 12 May 1998, the Committee considered a request from Denmark dated 3 April 1998 concerning a payment to the Iraqi State Communications and Post Authority, and was of the view that payments to Iraq for services previously rendered were in principle feasible; however, any such payment would have to be deposited in a blocked account outside Iraq.

58. With regard to an Egyptian communication dated 5 December 1997 concerning the issue of financial claims against Iraq by Egyptian workers, at its 166th meeting on 4 February 1998, the Committee decided to refer the matter to the United Nations Compensation Commission since issues raised therein were closely associated with the work of the latter. At its 171st meeting, on 12 May 1998,

the Committee further decided to forward the views of the Commission on the subject to the Government of Egypt. The Committee also expressed its readiness to further discuss the Egyptian request in consultation with all parties involved, including Iraq.

F. Other related issues

Requests from humanitarian agencies

59. At its 172nd meeting, on 18 June 1998, the Committee approved a request from the United Nations Development Programme (UNDP) dated 18 May 1998 concerning an environmental project designed to address the living conditions of less privileged communities in Iraq. Regarding another communication from UNDP dated 18 May 1998 requesting the Committee's authorization to launch an urgent assistance programme for seed production in Iraq, the Committee informed UNDP on 6 July 1998 that it had no objection in principle to the project, provided that all items concerned would remain under its control and be removed from Iraq following the project's completion, and that a report to that effect would be submitted to the Committee.

60. At the 166th meeting, on 4 February 1998, the Committee considered an appeal from the International Atomic Energy Agency concerning the Committee's negative decision with regard to one of its six proposed projects in Iraq (saline groundwater and wastelands for plant production). The Committee was still unable to approve the project after reconsidering it.

Aerial pesticide campaign

61. The Food and Agriculture Organization of the United Nations (FAO) informed the Committee in a letter dated 31 July 1998 that the aerial pest control operation approved by the Committee in March 1997 had been successfully completed in late June 1997, and that steps were being taken to remove the few spare parts not used in that operation from Iraq under FAO control. In the same letter, FAO requested the Committee to allow a Polish company contracted by the Ministry of Agriculture of Iraq to supply, under resolution 986 (1995), spare parts for the repair of agricultural helicopters used in the operation. At its 160th meeting, on 27 August 1997, the Committee decided to send a letter to FAO requesting an account of these spare parts approved in the past and more information on the condition of the helicopters used in the spraying programme.

62. In a letter dated 4 September 1997, FAO sought the Committee's agreement, in principle, to carry out these activities under FAO monitoring and in accordance with the Committee's instructions regarding the safety of non-Iraqi pilots to be recruited by FAO for this purpose, drawing the Committee's attention to the need to implement the same activity as in the past for weed control in wheat and barley in late 1997, and for the control of wheat and barley and date pests in early 1998 in order to provide timely protection to staple crops. At its 162nd meeting, on 8 October 1997, the Committee considered the matter. At the same meeting, information on an accounting for the spare parts was made available to members.

63. At the 164th meeting, on 9 December 1997, the Chairman reported to the members that based on additional information provided by FAO, the Polish request for the supply of spare parts for agricultural helicopters submitted under resolution 986 (1995) had been approved with certain conditions. FAO was subsequently apprised of the approval and its attention was drawn to the conditions attached. The Committee also approved, in principle, the aerial pest control activities in late 1997 and early 1998, in accordance with previous procedures.

Other issues related to import from Iraq

64. On 5 August 1996, Turkey submitted a request to the Committee to resume the import of petroleum and petroleum products from Iraq for domestic purposes. The request was made in view of the serious economic difficulties that Turkey claimed it had suffered as a result of the sanctions against Iraq. The matter has since remained on the agenda, and is still pending before the Committee.

65. At its 164th meeting, the Committee considered a request dated 24 October 1997 from Morocco for the Committee's opinion on whether it would be permissible under resolution 986 (1995) to import up to 1.5 million tons per year of Iraqi sulphur, valued at US$ 50 to 70 million. The Committee consulted the oil overseers, who informed the Committee that in their view sulphur could be considered a petroleum product, but Iraq might not have the facility to export it from Mina-al-Bakr terminal. In the light of the above, the Committee informed Morocco that it was not feasible for the proposed export to be implemented.

66. The Committee considered a communication from Germany dated 18 February 1998 seeking the Committee's views on the question of whether the import of Iraqi dinars by a German citizen to fulfil a contractual obligation would violate the provisions of the embargo against Iraq. After obtaining additional information from the German authorities, the Committee took up the matter at its 171st meeting, on 12 May 1998. The Committee decided that the intended import of Iraqi dinars would fall within the prohibitions set out in paragraph 3 (a) of resolution 661 (1990).

Issues related to diplomatic immunity

67. The Committee considered a request dated 28 August 1997 from India for clarification on whether any imports for the exclusive use of diplomatic missions and their staff members, including the personal baggage of diplomatic staff at Baghdad, would be exempt from the sanctions against Iraq. At its 162nd meeting, on 8 October 1997, the Committee requested the opinion of the Legal Counsel. At its 164th meeting, on 9 December 1997, the Committee decided that trade and financial measures imposed by the Security Council were not applicable to diplomatic missions in Iraq and their staff. A press release to that effect was issued by the Committee on 24 December 1997 (IK/235).

68. At its 171st and 172nd meetings, on 12 May and 18 June 1998 respectively, the Committee also considered a communication from the Dean of the Diplomatic Corps at Baghdad dated 13 April 1998, requesting a lifting of the restrictions on air travel to and from Baghdad, which he said had caused hardship to

diplomats and their families at Baghdad. After reviewing suggestions to facilitate a solution to the matter, the Chairman sent a letter on 13 July 1998 to the Dean outlining the position of the Committee as follows: the Committee was guided by relevant Security Council resolutions concerning the sanctions regime on Iraq, in particular, resolution 661 (1990) and 670 (1990); in order to reach a decision on the matter raised, additional information would have to be provided by the Dean of the Diplomatic Corps at Baghdad. The Committee requested that practical arrangements that would be in accordance with the above resolutions be submitted to it for its consideration.

Passenger shipping service

69. At its 162nd meeting, on 8 October 1997, the Committee considered a request from the United Arab Emirates dated 15 September 1997 concerning a passenger shipping service with Iraq. At its 164th meeting, on 9 December 1997, the Committee stated that such service would not violate the mandatory sanctions imposed by the Security Council, provided that (a) the vessels involved only transport passengers and their personal effects, and would not load cargo in Iraq, including fuel; (b) the service would be operated under arrangements which would exclude economic or financial benefits in favour of Iraqi agencies or companies, with the exception of customary fees for ports or navigational services; (c) the vessels concerned would cooperate with the Multinational Interception Force (MIF) operating in the area pursuant to Security Council resolution 665 (1990). A letter to that effect was sent to the United Arab Emirates on 17 December 1997.

Sharing of research material

70. At its 171st meeting, on 12 May 1998, the Committee considered a query from Denmark as to whether the sharing with an Iraqi citizen of research material originating in Denmark would be permissible under the relevant Security Council resolutions. The Committee first sought further information from Denmark regarding the nature of the material and its end-user, stressing that its use must comply with the relevant Security Council resolutions. The Committee revisited the issue at its 173rd meeting upon receipt of the additional information and requested the views of the Legal Counsel on the matter.

Holding trade fairs in Iraq

71. Some States have apprised the Committee of the terms and modalities proposed by the organizers and participants and obtained prior approval of the Committee for participation in such activities on a case-by-case basis.

Trans-shipment through Iraq

72. At its 171st meeting on 12 May 1998, the Committee considered a request from Syria concerning a trans-shipment of construction material from Syria to Iran through the territory of Iraq. The Committee revisited the issue at its 172nd meeting, on 18 June 1998. In order to make a decision on the matter, the Committee would need further information from the parties concerned on certain aspects of the proposed shipment, particularly on the necessary monitoring

arrangements and guarantees for preventing any diversion of the goods during a transit in Iraq.

G. Reported violations and monitoring arrangement

73. At the 162nd meeting, on 8 October 1997, the representative of the United Kingdom of Great Britain and Northern Ireland brought to the attention of the Committee information about smuggling of Iraqi petroleum products through Iranian territorial waters in violation of the sanctions regime established by resolution 661 (1990). It was decided that the Chairman should approach the Permanent Representative of Iran on the matter and also invite MIF to brief the Committee on relevant issues in the future.

74. At its 163rd meeting, on 18 November 1997, the Committee heard a presentation by Rear-Admiral Michael Bordy, Coordinator of MIF. The Rear-Admiral reported that since the previous briefing by Admiral Fargo in February 1997, the process of sanctions violations by a number of ships smuggling gas oil from Iraq inside Iranian territorial waters, skirting MIF operations, had dramatically increased. He pointed out that on the high seas, where the MIF team had authority to operate under international law, the MIF operation had been successful in preventing the import of prohibited cargo to Iraq and in preventing the export of prohibited cargo when it travelled through international waters, with the minimum interference with legitimate maritime commerce. Since the commencement of its operations, MIF had conducted more than 24,300 queries, resulting in more than 10,900 boardings and more than 634 diversions of ships. In conjunction with the implementation of resolution 986 (1995), MIF had established policies that would quickly facilitate the flow of legitimate merchant traffic in and out of Iraq, while deterring those which would seek to evade the sanctions regime.

75. At the 164th meeting, on 9 December 1997, the Chairman reported on his meeting with the Permanent Representative of Iran, who said that he would report back and seek a response from his authorities on the matter.

III. CONCLUSIONS AND OBSERVATIONS

76. The Committee continues to enjoy the support and cooperation extended to it by Member States and international organizations in discharging its mandate under the relevant Security Council resolutions. As always, the Committee attaches particular importance to close cooperation and interaction with Member States.

77. With regard to the implementation of the various tasks entrusted to it by the Security Council with regard to the oil-for-food arrangements, the Committee will continue working closely with the Secretary-General, the Office of the Iraq Programme and the Government of Iraq in order to improve the humanitarian situation in Iraq.

Appendix

Dates of Committee meetings, 1 August 1997 to 31 July 1998

Date	Meeting
27 August 1997	160th
2 September 1997	161st
8 October 1997	162nd
18 November 1997	163rd
9 December 1997	164th
6 January 1998	165th
4 February 1998	166th
9 March 1998	167th
11 March 1998	168th
13 March 1998	169th
16 March 1998	170th
12 May 1998	171st
18 June 1998	172nd
23 July 1998	173rd